

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



AUG 29 2005

The Honorable Earl E. Devaney
Inspector General
U. S. Department of the Interior
1849 C Street, N.W. (M.S. 5341)
Washington, D.C. 20240

Dear Mr. Devaney:

We reviewed the system of quality control for the audit function of the U. S. Department of the Interior (DOI), Office of Inspector General (OIG), in effect for the year ended September 30, 2004. We conducted our review in conformity with standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE). We tested compliance with the OIG's system of quality control to the extent we considered appropriate. These tests included a review of the audits identified in the enclosure.

In performing our review, we gave consideration to the PCIE policy statement on quality control and external review programs, dated March 2, 2004. That statement indicates that an OIG's quality control policies and procedures should be appropriately comprehensive and suitably designed to provide reasonable assurance that the objectives of quality control will be met. It also recognizes that the nature, extent, and formality of an OIG's system of quality control depends on various factors such as the size of the OIG, the location of its offices, the nature of the work and its organizational structure.

In our opinion, the system of quality control for the audit function of the DOI OIG in effect for the year ended September 30, 2004, was designed in accordance with the quality standards established by the PCIE and was being complied with for the year then ended to provide the OIG with reasonable assurance of material compliance with professional audit standards in the conduct of its audits. Therefore, we are issuing an unqualified opinion on your system of audit quality control.

We have identified in a separate letter, dated August 29, 2005, observations that came to our attention which do not affect our overall opinion.

I wish to take this opportunity to express my appreciation for the cooperation and courtesies extended to my staff.

Sincerely,

A handwritten signature in black ink, reading "Gordon S. Heddell", is written over a printed name.

Gordon S. Heddell
Inspector General

Enclosure

Working for America's Workforce

**External Quality Control Review of the Department of the Interior
Office of Inspector General
Office of Audit**

Scope and Methodology

We tested compliance with the OIG's system of quality control to the extent we considered appropriate. These tests included a review of 11 audits. Ten of 75 audit reports were issued during the March 31, 2004, and September 30, 2004, recent semiannual reporting period to Congress, while one of the audits was terminated and was not published. These audits were judgmentally selected to provide review coverage of significant audits and the OIG field offices, to test internal quality assurance reviews and to follow up on prior external quality control review findings in those regions. The President's Council on Integrity and Efficiency guidance requires that we review the most recent completed financial statement audit. Accordingly, we reviewed two of the Fiscal Years 2003 and 2002 DOI Bureau financial statement audits and monitoring activities among the 10 audits selected, and the contracted consolidated financial statements audit by KPMG, LLP, issued by the OIG on November 28, 2003. We also reviewed four of the five internal quality assurance reviews performed by the OIG for our review period.

OIG Offices Reviewed

We reviewed DOI OIG audits completed at seven of the nine locations:

Headquarters (HQ), Washington, D.C. (onsite review)
Eastern Region (E), Herndon, VA (onsite review)
External Audits (R), Reston, VA (onsite review)
Central Region (C), Lakewood, CO (onsite review)
Albuquerque, NM, (A), (reviewed at Central Region)
Western Region (W), Sacramento, CA (onsite review)
Virgin Islands (VI), (reviewed audit at Eastern Region)

Audit Reports Reviewed:

<u>Report Number</u>	<u>Report Date</u>	<u>Region</u>	<u>Report Title</u>
1. X-IN-MOA-0080-2003	11/28/2003	HQ	Independent Auditor's Report on Department of the Interior Financial Statement FY 2003 & 2002 PAR (Consolidated)
2. E-IN-NPS-0067-2003	12/22/2003	E	Independent Auditor's Report on National Park Service Financial Statement FY 2003 & 2002

3.	V-IN-VIS-0104-2003M	8/27/2004	VI	Use of Official Credit Cards, Government of the Virgin Islands 8/27/2004
4.	R-GR-FWS-0025-2003	5/06/2004	R	U.S. Fish and Wildlife Federal Assist. Grants Admin. by State of New York 4/1/2000 to 3/31/2002
5.	R-GR-FWS-0005-2004	9/16/2004	R	U.S. Fish and Wildlife Federal Assist. Grants Admin by State of Vermont 7/01/2001 to 6/30/2003
6.	C-IN-FWS-0078-2003	12/22/2003	C	Independent Auditor's Report on U.S. Fish and Wildlife Financial Statement
7.	C-IN-MOA-0042-2003	2/9/2004	C	Fleet Management Operations, Department of the Interior
8.	Q-IN-BIA-0098-2003	9/30/2004	A	Bureau of Indian Affairs, BIA Contract with the Navajo Nation for Social Services
9.	C-IN-NPS-0012-2003	Terminated	C	Procurement Central Management for National Park Service
10.	W-IN-BLM-0009-2003	2/13/2004	W	Audit of Oil and Gas Permitting Process
11.	W-IN-BOR-0016-2004	8/12/2004	W	Central Valley Project Contract Renewal Process